

**REPORT OF THE AUDIT OF THE
LEE COUNTY
FISCAL COURT**

**For The Year Ended
June 30, 2024**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

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ALLISON BALL AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Steve Mays, Jr., Lee County Judge/Executive
Members of the Lee County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Lee County Fiscal Court, for the year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise the Lee County Fiscal Court's financial statement as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Lee County Fiscal Court, for the year ended June 30, 2024, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Lee County Fiscal Court, for the year ended June 30, 2024, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Lee County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Lee County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statement

Lee County Fiscal Court's management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lee County Fiscal Court's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lee County Fiscal Court's internal control. Accordingly, no such opinion is expressed.

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Members of the Lee County Fiscal Court

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lee County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Lee County Fiscal Court. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules are fairly stated in all material respects in relation to the financial statement as a whole.

Other Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2025, on our consideration of the Lee County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lee County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report finding:

2024-001 The Lee County Fiscal Court Lacks Adequate Internal Controls Over Disbursements

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

September 25, 2025

LEE COUNTY OFFICIALS**For The Year Ended June 30, 2024****Fiscal Court Members:**

Steve Mays	County Judge/Executive
Timothy Brandenburg	Magistrate
Dean Noe	Magistrate
Rodney Ross	Magistrate
Dennis Pelfrey	Magistrate

Other Elected Officials:

Thomas Hollon	County Attorney
Justin Shuler	Jailer
Kimberly Noe	County Clerk
Tyler Phillips	Circuit Court Clerk
Joseph Lucas	Sheriff
Elizabeth Roach	Property Valuation Administrator
Joshua Hagan	Coroner

Appointed Personnel:

Pearl Spencer	County Treasurer
Jodi Coldiron	Administrative Assistant

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**LEE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2024

LEE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2024

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 1,588,105	\$	\$	\$
In Lieu Tax Payments	49,022	19,427		
Excess Fees	17,192			
Licenses and Permits	21,236			
Intergovernmental	1,700,499	1,273,289	217,243	124,651
Charges for Services	390			
Miscellaneous	108,234	389,488	1,031	
Interest	22,210	5,134	884	200
Total Receipts	<u>3,506,888</u>	<u>1,687,338</u>	<u>219,158</u>	<u>124,851</u>
DISBURSEMENTS				
General Government	1,436,507			
Protection to Persons and Property	638,978		443,973	
General Health and Sanitation	55,088			
Social Services	63,475			
Recreation and Culture	98,714			
Roads	13,800	2,049,623		
Debt Service	142,264	661,525		
Capital Projects	157,895			
Administration	<u>556,680</u>	<u>324,371</u>	<u>26,031</u>	
Total Disbursements	<u>3,163,401</u>	<u>3,035,519</u>	<u>470,004</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>343,487</u>	<u>(1,348,181)</u>	<u>(250,846)</u>	<u>124,851</u>
Other Adjustments to Cash (Uses)				
Payroll Revolving Account	8,375			
Transfers From Other Funds	30,757	150,000	255,500	
Transfers To Other Funds	(430,000)			(125,500)
Governmental Leasing Act Receipts	240,000	795,106		
Premium On Governmental Leasing Act Receipts	10,000			
KACO Mowing Tractor Lease	131,100			
Total Other Adjustments to Cash (Uses)	<u>(140,868)</u>	<u>1,076,206</u>	<u>255,500</u>	<u>(125,500)</u>
Net Change in Fund Balance	202,619	(271,975)	4,654	(649)
Fund Balance - Beginning (Restated)	<u>361,227</u>	<u>329,096</u>	<u>19,903</u>	<u>786</u>
Fund Balance - Ending	<u>\$ 563,846</u>	<u>\$ 57,121</u>	<u>\$ 24,557</u>	<u>\$ 137</u>
Composition of Fund Balance				
Bank Balance	\$ 603,306	\$ 852,969	\$ 24,557	\$ 137
Payroll Revolving Account Reconciled Balance	8,375			
Plus: Deposits In Transit				
Less: Outstanding Checks	(47,835)	(795,848)		
Fund Balance - Ending	<u>\$ 563,846</u>	<u>\$ 57,121</u>	<u>\$ 24,557</u>	<u>\$ 137</u>

The accompanying notes are an integral part of the financial statement.

LEE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2024
(Continued)

Budgeted Funds						
Ambulance Fund	Solid Waste Fund	Alcohol Beverage Control Fund	County Clerk's Storage Fee Fund	Opioid Settlement Fund	American Rescue Plan Act Fund	Total Funds
\$ 9,982	\$ 18,333		\$ 4,650		\$ 1,588,105	\$ 68,449
685,188	642,160					17,192
204,687	20,299	11,090	9,910	107,384		25,886
2,442	413	92	173	683	862	3,343,997
<u>902,299</u>	<u>681,205</u>	<u>15,832</u>	<u>10,083</u>	<u>108,067</u>	<u>862</u>	<u>1,327,738</u>
						852,123
						33,093
						<u>7,256,583</u>
886,353	532,178		720		29,135	1,969,405
						1,998,439
						55,088
						63,475
						98,714
						2,063,423
						858,259
						157,895
310,032	114,277				5,181	1,336,572
<u>1,196,385</u>	<u>700,925</u>	<u>720</u>			<u>34,316</u>	<u>8,601,270</u>
(294,086)	(19,720)	15,832	9,363	108,067	(33,454)	(1,344,687)
385,000						8,375
						821,257
		(15,000)		(100,000)	(150,757)	(821,257)
						1,035,106
						10,000
						131,100
385,000		(15,000)		(100,000)	(150,757)	1,184,581
90,914	(19,720)	832	9,363	8,067	(184,211)	(160,106)
33,939	41,072	22,112	9,127	103,513	184,211	1,104,986
<u>\$ 124,853</u>	<u>\$ 21,352</u>	<u>\$ 22,944</u>	<u>\$ 18,490</u>	<u>\$ 111,580</u>	<u>\$ 0</u>	<u>\$ 944,880</u>
\$ 122,844	\$ 30,937	\$ 22,944	\$ 18,650	\$ 111,580	\$	\$ 1,787,924
						8,375
2,876						2,876
<u>(867)</u>	<u>(9,585)</u>	<u>(160)</u>				<u>(854,295)</u>
<u>\$ 124,853</u>	<u>\$ 21,352</u>	<u>\$ 22,944</u>	<u>\$ 18,490</u>	<u>\$ 111,580</u>	<u>\$ 0</u>	<u>\$ 944,880</u>

The accompanying notes are an integral part of the financial statement.

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**LEE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Lee County includes all budgeted and unbudgeted funds under the control of the Lee County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act for and on behalf of, and as the agency and instrumentality of the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Federal Monies Fund - The primary purpose of this fund is to account for monies received through grants. The primary source of receipts for this fund are received from the federal government.

Ambulance Fund - The primary purpose of this fund is to account for expenses related to the county-run ambulance service. The primary source of receipts for this fund is from charges for ambulance runs.

Solid Waste Fund - The primary purpose of this fund is to account for garbage collections expenses of the county. The primary source of receipts for this fund is from monthly billing of solid waste collections to users.

Alcohol Beverage Control Fund - The primary purpose of this fund is to account for receipts and disbursements related to the control of alcohol sales. The primary source of receipts for this fund is from the distribution of alcohol licenses.

County Clerk's Storage Fee Fund - The primary purpose of this fund is to account for the \$10 storage fee collected by the county clerk and required to be held by the county fiscal court for the exclusive purpose of providing funding for the permanent storage of recorded instruments.

Opioid Settlement Fund - The primary purpose of this fund is to account for the opioid settlement funds allocated to local governments pursuant to House Bill 427 to combat the opioid crisis.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for receipts and disbursements of monies received from the federal government related to the pandemic. The primary source of receipts for this fund is from American Rescue Plan Act funds.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Lee County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Lee County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Lee County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

H. Joint Ventures

Three Forks Regional Jail

On October 6, 2000, the Counties of Lee, Owsley, and Wolfe (the participating counties) entered into an Interlocal Cooperation Agreement in order to provide for joint and cooperative action in the acquisition, construction, installation, maintenance and financing of the Three Forks Regional Jail. Pursuant to this interlocal agreement, Lee County (the lead county) established the Three Forks Public Properties Corporation, a legally separate organization, to act as an agency and instrumentality of the participating counties in financing the acquisition and construction of the Three Forks Regional Jail. On December 1, 2000, the corporation issued \$6,295,000 of first mortgage revenue bonds.

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Joint Ventures (Continued)

Three Forks Regional Jail (Continued)

The only source of funds expected by the Three Forks Public Properties Corporation to meet the debt service requirements on the bonds are the rental payments from the participating counties, as stipulated in the lease and sublease agreements dated October 1, 2000. Pursuant to the lease and sublease, each participating county covenants to meet its proportionate share of the debt service requirements on the bond as follows (the "proportionate share" or "use allowance"): 40% for Lee County, 22% for Owsley County and 38% for Wolfe County.

On December 1, 2000, the three participating counties established the Three Forks Regional Jail Authority pursuant to the provisions of KRS 441.800 and KRS 441.810 to act as the constituted authority of the participating counties in the acquisition, construction, equipping, and operation of the Three Forks Regional Jail.

The Three Forks Regional Jail Authority and the Three Forks Public Property Corporation are comprised of an eight-member board of directors. Lee County appoints three of the eight members. Wolfe and Owsley counties appoint two members each. In addition, the Lee County Jailer is a required member of the board.

Note 2. Deposits

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2024, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2024.

	Local Government General Fund	Alcohol Beverage Control Fund	Opioid Settlement Fund	American Rescue Plan Act Fund	Total Transfers In
General Fund	\$	\$ 15,000	\$	\$ 15,757	\$ 30,757
Road Fund	150,000				150,000
Jail Fund	130,000	125,500			255,500
Ambulance Fund	150,000		100,000	135,000	385,000
Total Transfers Out	<u>\$ 430,000</u>	<u>\$ 125,500</u>	<u>\$ 15,000</u>	<u>\$ 100,000</u>	<u>\$ 150,757</u>
					\$ 821,257

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them

Note 4. Leases

1. Lessee

A. Loader Backhoe

In September 2019, the fiscal court entered into a lease agreement with Deere Credit, Inc., for a 2019 loader backhoe valued at \$83,250. The length of the lease is 36 months with payments of \$760 per month beginning in October 2019, with a purchase option of \$73,600 at the end of the lease. During 2023, the equipment was upgraded to a 2023 loader backhoe. Payments made on the lease are reflected in the Road Fund debt service.

B. Loader Backhoe

In March 2023, the fiscal court entered into a lease agreement with Deere Credit, Inc., for a 2023 loader backhoe valued at \$114,015. The length of the lease is sixty months with payments of \$2,001 per month beginning in April 2023 with a purchase option of \$53,000 at the end of the lease. Payments made on the lease are reflected in the Road Fund debt service.

C. Grader

In July 2019, the fiscal court entered into a lease agreement with Deere Credit, Inc., for a 2019 grader valued at \$244,787. The fiscal court received a \$45,977 trade-in for a grader. The length of the lease is 36 months with monthly payments of \$1,595 beginning in August 2019, with a purchase option of \$183,000 at the end of the lease. During 2023, the equipment was upgraded to a 2023 grader. Payments made on the lease are reflected in the Road Fund debt service.

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 4. Leases (Continued)

1. Lessee (Continued)

D. Grader

In February 2023, the fiscal court entered into a lease agreement with Deere Credit, Inc., for a 2023 grader valued at \$280,008. The length of the lease is 36 with monthly payments of \$3,838 beginning in March 2023, with a purchase option of \$164,876 at the end of the lease. Payments made on the lease are reflected in the Road Fund debt service.

E. Trackhoe

In September 2022, the fiscal court entered into a lease agreement for a trackhoe valued at \$90,860. The length of the lease is 60 months with monthly payments of \$1,514 beginning in September 2020. The agreement provided no purchase option at the end of the lease. Payments made on the lease are reflected in the Road Fund debt service.

Note 5. Short-term Debt

A. Direct Borrowings

1. Trucks

On August 9, 2023, the Lee County Fiscal Court entered into a lease agreement with Kentucky Association of Counties in the amount of \$388,448 for the purpose of the acquisition of two trucks. The agreement requires monthly principal and interest payments to be paid in full on February 20, 2025. In case of default, the amount outstanding may become due immediately and legal remedies may be pursued. As of June 30, 2024, this was paid off.

2. Trucks

On August 21, 2023, the Lee County Fiscal Court entered into a lease agreement with Kentucky Association of Counties in the amount of \$406,658 for the purpose of the acquisition of two trucks. The agreement requires monthly principal and interest payments to be paid in full on January 20, 2026. In case of default, the amount outstanding may become due immediately and legal remedies may be pursued. As of June 30, 2024, this was paid off.

B. Changes In Short-term Debt

Short-term Debt activity for the year ended June 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Direct Borrowings	\$ _____	\$ 795,106	\$ 795,106	\$ _____
Total Short-term Debt	\$ 0	\$ 795,106	\$ 795,106	\$ 0

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 6. Asset Held For Resale

The Lee County Fiscal Court participates in the activity of purchasing assets such as dump trucks and reselling them at auction prior to the financing obligation coming to term. The activity as of June 30, 2024, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Asset Held For Resale	\$ 795,106			\$ 795,106
Total	\$ 0	\$ 795,106	\$ 0	\$ 795,106

Note 7. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Flood Relief

In April 2021, the Lee County Fiscal Court entered into a financing obligation agreement for \$300,000 with the Kentucky Association of Counties for flood relief. The terms of the agreement stipulate a 75-month repayment schedule, with final principal and interest due in June 2027, at an interest rate of 3.74 percent. Payments for the first fifteen months were \$0.

The lessor may terminate this agreement immediately upon the occurrence of any of the following events: (a) the lessee fails to pay when due any of the payments, or to perform, or rectify breach of, any obligation assumed by the lessee in this agreement; (b) the lessee makes an assignment for the benefit of creditors, or is subject to any receivership, insolvency or bankruptcy proceedings; or (c) any other event which causes the lessor, in good faith, to deem itself insecure. Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one of any combination of the following remedial steps: terminate the lease term and give notice to the lessee to vacate or surrender the project assets within seven days from the date of such notice; exercise all the rights and remedies of a secured party under the Kentucky Uniform Commercial Code, with respect to the project assets, and may otherwise repossess and liquidate or realize foreclose upon the project assets in lawful manner; sell or re-lease the project or any portion thereof; recover from the lessee lease payments which would otherwise have been payable during any period in which the lessee continues to use, occupy or retain possession of the project assets. Failure of the lessor to exercise any right or remedy, including, but not limited to, the acceptance of partial or delinquent payments, shall not be a waiver of any obligation lessee, or right of lessor, or constitute a waiver of any other similar default subsequently occurring.

The outstanding principal as of June 30, 2024, was \$186,675. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 59,916	\$ 5,962
2026	62,196	3,682
2027	64,563	1,315
Totals	\$ 186,675	\$ 10,959

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements

2. Flood Repairs

In May 2022, the Lee County Fiscal Court entered into a financing obligation agreement for \$400,000 with the Magnolia Bank, Inc. for the purpose of acquiring, constructing, equipping, and installing improvements to repair flood damage. The terms of the agreement stipulate a 36-month repayment schedule, with final principal and interest due in May 2025 with an interest rate of 3.35 percent.

Upon the occurrence of an event of default, and as long as the event of default is continuing, the lessor may, at its option, exercise any one or more of the following remedies as to the project, to whichever the event of default pertains: (a) by appropriate court action, enforce the pledge set forth in Section 2 of the authorizing legislation and Section 9 of this lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to rate, a direct tax annually in an amount sufficient to pay the lease payments when and as due; (b) by written notice to the lessee, enter and take immediate possession of the project; (c) sell or lease the project or sublease it for the account of the lessee, holding the lessee liable for all lease payments and other payments due during the remaining lease term to the extent that such selling, leasing or subleasing fails to provide amounts which are sufficient, to pay the remaining lease payments when due, with any proceeds of the sale of the project being applied first to all past due lease payments and then to the portion of the lease payments applicable to the principal component in inverse order of their due date; and (d) exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project, including, but not limited to, any one or more remedial steps available to secured parties under Article 9 of the UCC and which are otherwise accorded to the lessor by applicable law. The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by Lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred and enforced the remedies set forth in this section; provided that the remedies set forth in clauses (a), (b) and (c) of this section shall only be available for an event of default described in Section 22(a) and any satisfaction of lease payments as a result of actions taken under clauses (b) and (c) of this section shall reduce the amount of the direct annual tax required to be levied under clause (a) of this section.

The outstanding principal as of June 30, 2024, was \$126,328. Future principal and interest requirements are:

Fiscal Year Ending	Scheduled	
June 30	Principal	Interest
2025	\$ 126,328	\$ 2,125
Totals	\$ 126,328	\$ 2,125

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements

3. Garbage Trucks

In January 2022, the Lee County Fiscal Court entered into a financing obligation agreement for \$280,000 with the Republic Bank & Trust Company to purchase two garbage trucks. The terms of the agreement stipulate a 60-month repayment schedule, with final principal and interest due in February 2027 at an interest rate of 2.80 percent.

Upon the occurrence of an event of default, and as long as the event of default is continuing, the lessor may, at its option, exercise any one or more of the following remedies as to the project, to whichever the event of default pertains: (a) terminate the lease term and give notice to the lessee to vacate or surrender the project within 60 days from the date of such notice; (b) by written notice to the lessee, enter and take immediate possession of the project; (c) recover from the lessee: (i) the lease payments which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the project; and (ii) lease payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs; (d) sell or lease the project or sublease it for the account of the lessee, holding the lessee liable for all lease payments and other payments due during the remaining lease term to the extent that such selling, leasing or subleasing fails to provide amounts which are sufficient to pay the remaining lease payments when due, with any proceeds of the sale of the project being applied first to all past due lease payments and then to the portion of lease payments applicable to the principal component in inverse order of their due date; and (e) exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law, subject to the limitations contained in this Lease with respect to the lessee's obligations upon the occurrence of an event of nonappropriation; or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project, including, but not limited to, any one or more remedial steps available to secured parties under Article 9 of the UCC and which are otherwise accorded to the lessor by applicable law.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred and enforced the remedies set forth in this section.

The outstanding principal as of June 30, 2024, was \$139,736. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 51,169	\$ 3,301
2026	52,638	1,831
2027	35,929	385
Totals	\$ 139,736	\$ 5,517

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements

4. Roof and HVAC Project

On August 8, 2023, the Lee County Fiscal Court entered into a lease agreement with Kentucky Association of Counties in the amount of \$240,000 for the purpose of the acquisition, construction, installation and equipping of HVAC improvements and a new roof. The agreement requires monthly principal and interest payments to be paid in full on December 29, 2029. In case of default, the amount outstanding may become due immediately and legal remedies may be pursued. As of June 30, 2024, the principal amount outstanding was \$212,500. Debt service requirements for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 35,000	\$ 12,425
2026	37,500	10,535
2027	40,000	8,510
2028	40,000	6,350
2029	40,000	4,190
2030-2034	<u>20,000</u>	<u>1,555</u>
Totals	<u>\$ 212,500</u>	<u>\$ 43,565</u>

5. Tractor

On September 14, 2023, the Lee County Fiscal Court entered into a lease agreement with Kentucky Association of Counties in the amount of \$131,100 for the purpose of the acquisition of two tractors. The agreement requires monthly principal and interest payments to be paid in full on September 20, 2028. In case of default, the amount outstanding may become due immediately and legal remedies may be pursued. As of June 30, 2024, the principal amount outstanding was \$113,903. Debt service requirements for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 24,504	\$ 6,784
2026	25,860	5,126
2027	27,291	3,376
2028	28,802	1,530
2029	<u>7,446</u>	<u>82</u>
Totals	<u>\$ 113,903</u>	<u>\$ 16,898</u>

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 7. Long-term Debt (Continued)

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 694,114	\$ 371,100	\$ 286,072	\$ 779,142	\$ 296,917
Total Long-term Debt	<u>\$ 694,114</u>	<u>\$ 371,100</u>	<u>\$ 286,072</u>	<u>\$ 779,142</u>	<u>\$ 296,917</u>

C. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2024, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2025	\$ 296,917	\$ 30,596
2026	178,195	21,174
2027	167,782	13,586
2028	40,000	6,350
2029	68,802	5,720
2029-2033	<u>27,446</u>	<u>1,637</u>
Totals	<u>\$ 779,142</u>	<u>\$ 79,063</u>

Note 8. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Kentucky Retirement Systems (Ky. Ret. Sys.). The CERS nine member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2022 was \$508,513, FY 2023 was \$544,700, and FY 2024 was \$552,536.

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 8. Employee Retirement System (Continued)

Nonhazardous

Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6% of their salary to be allocated as follows: 5% will go to the member's account and 1% will go to the Ky. Ret. Sys. insurance trust fund to be attributed to CERS's share of assets in the fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5% of their annual creditable compensation. Nonhazardous members also contribute 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the CERS Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 23.34%.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5% cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KPPA will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

LEE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

F. Annual Financial Report and Proportionate Share Audit Report

KPPA issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646. Some reports are also available online at <https://kyret.ky.gov>.

KPPA also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 9. Insurance

For the fiscal year ended June 30, 2024, the Lee County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2024, was added to the General Fund cash balance for financial reporting purposes. The total reconciled balance added to the cash balance was \$8,375.

Note 11. Prior Year Adjustments

The prior year ending fund balance was increased due to prior year voided checks in the General Fund by \$63, Road Fund by \$71, and Ambulance Fund by \$322.

**LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis**

For The Year Ended June 30, 2024

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LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

GENERAL FUND					
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)	
	Original	Final			
RECEIPTS					
Taxes	\$ 1,442,500	\$ 1,442,500	\$ 1,588,105	\$ 145,605	
In Lieu Tax Payments	46,000	46,000	49,022	3,022	
Excess Fees	27,450	27,450	17,192	(10,258)	
Licenses and Permits	21,000	21,000	21,236	236	
Intergovernmental	449,893	1,594,990	1,700,499	105,509	
Charges for Services	900	900	390	(510)	
Miscellaneous	63,390	63,390	108,234	44,844	
Interest	5,000	5,000	22,210	17,210	
Total Receipts	<u>2,056,133</u>	<u>3,201,230</u>	<u>3,506,888</u>	<u>305,658</u>	
DISBURSEMENTS					
General Government	1,214,544	1,495,097	1,436,507	58,590	
Protection to Persons and Property	345,062	662,611	638,978	23,633	
General Health and Sanitation	36,852	70,614	55,088	15,526	
Social Services	57,325	69,550	63,475	6,075	
Recreation and Culture	71,235	105,628	98,714	6,914	
Roads		14,500	13,800	700	
Debt Service	144,806	145,974	142,264	3,710	
Capital Projects		161,352	157,895	3,457	
Administration	511,596	591,708	556,680	35,028	
Total Disbursements	<u>2,381,420</u>	<u>3,317,034</u>	<u>3,163,401</u>	<u>153,633</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(325,287)</u>	<u>(115,804)</u>	<u>343,487</u>	<u>459,291</u>	
Other Adjustments to Cash (Uses)					
Transfers From Other Funds			30,757	30,757	
Transfers To Other Funds	(133,394)	(133,394)	(430,000)	(296,606)	
Premium On Governmental Leasing Act Receipts			10,000	10,000	
Governmental Leasing Act Receipts	250,000	250,000	240,000	(10,000)	
Total Other Adjustments to Cash (Uses)	<u>116,606</u>	<u>116,606</u>	<u>(149,243)</u>	<u>(265,849)</u>	
Net Change in Fund Balance	(208,681)	802	194,244	193,442	
Fund Balance - Beginning (Restated)	<u>208,681</u>	<u>360,833</u>	<u>361,227</u>	<u>394</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 361,635</u>	<u>\$ 555,471</u>	<u>\$ 193,836</u>	

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

ROAD FUND						
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget		
	Original	Final		Positive (Negative)		
RECEIPTS						
In Lieu Tax Payments	\$ 16,000	\$ 16,000	\$ 19,427	\$ 3,427		
Intergovernmental	1,599,623	1,791,872	1,273,289	(518,583)		
Miscellaneous	450,300	450,300	389,488	(60,812)		
Interest	3,750	3,750	5,134	1,384		
Total Receipts	<u>2,069,673</u>	<u>2,261,922</u>	<u>1,687,338</u>	<u>(574,584)</u>		
DISBURSEMENTS						
Roads	1,287,486	2,557,975	2,049,623	508,352		
Debt Service	641,792	670,888	661,525	9,363		
Administration	289,664	392,479	324,371	68,108		
Total Disbursements	<u>2,218,942</u>	<u>3,621,342</u>	<u>3,035,519</u>	<u>585,823</u>		
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(149,269)</u>	<u>(1,359,420)</u>	<u>(1,348,181)</u>	<u>11,239</u>		
Other Adjustments to Cash (Uses)						
Transfers From Other Funds			150,000	150,000		
Governmental Leasing Act Receipts		795,106	795,106			
KACO Mowing Tractor Lease		131,100	131,100			
Total Other Adjustments to Cash (Uses)		<u>926,206</u>	<u>1,076,206</u>	<u>150,000</u>		
Net Change in Fund Balance	(149,269)	(433,214)	(271,975)	161,239		
Fund Balance - Beginning (Restated)	<u>149,269</u>	<u>328,314</u>	<u>329,096</u>	<u>782</u>		
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (104,900)</u>	<u>\$ 57,121</u>	<u>\$ 162,021</u>		

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

JAIL FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 76,962	\$ 205,928	\$ 217,243	\$ 11,315
Miscellaneous			1,031	1,031
Interest	10	10	884	874
Total Receipts	<u>76,972</u>	<u>205,938</u>	<u>219,158</u>	<u>13,220</u>
DISBURSEMENTS				
Protection to Persons and Property	339,368	467,181	443,973	23,208
Administration	<u>25,998</u>	<u>33,228</u>	<u>26,031</u>	<u>7,197</u>
Total Disbursements	<u>365,366</u>	<u>500,409</u>	<u>470,004</u>	<u>30,405</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(288,394)</u>	<u>(294,471)</u>	<u>(250,846)</u>	<u>43,625</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	283,394	283,394	255,500	(27,894)
Total Other Adjustments to Cash (Uses)	<u>283,394</u>	<u>283,394</u>	<u>255,500</u>	<u>(27,894)</u>
Net Change in Fund Balance	(5,000)	(11,077)	4,654	15,731
Fund Balance - Beginning	<u>5,000</u>	<u>16,577</u>	<u>19,903</u>	<u>3,326</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 5,500</u>	<u>\$ 24,557</u>	<u>\$ 19,057</u>

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 124,651	\$ (25,349)
Interest	5	5	200	195
Total Receipts	150,005	150,005	124,851	(25,154)
DISBURSEMENTS				
Protection to Persons and Property	759	759		759
Total Disbursements	759	759		759
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	149,246	149,246	124,851	(24,395)
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(150,000)	(150,000)	(125,500)	24,500
Total Other Adjustments to Cash (Uses)	(150,000)	(150,000)	(125,500)	24,500
Net Change in Fund Balance	(754)	(754)	(649)	105
Fund Balance - Beginning	754	754	786	32
Fund Balance - Ending	\$ 0	\$ 0	\$ 137	\$ 137

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

FEDERAL MONIES FUND

	Budgeted Amounts	Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	
RECEIPTS			
Intergovernmental	\$ 143,050	\$ 143,050	\$ (143,050)
Total Receipts	<u>143,050</u>	<u>143,050</u>	<u>(143,050)</u>
DISBURSEMENTS			
General Government	143,050	143,050	143,050
Total Disbursements	<u>143,050</u>	<u>143,050</u>	<u>143,050</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 0

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

AMBULANCE FUND						
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)		Variance with Final Budget	
	Original	Final			Positive (Negative)	
RECEIPTS						
Intergovernmental	\$ 10,000	\$ 10,000	\$ 9,982	\$ (18)		
Charges for Services	92,000	564,000	685,188		121,188	
Miscellaneous	24,000	190,700	204,687		13,987	
Interest	10	500	2,442		1,942	
Total Receipts	<u>126,010</u>	<u>765,200</u>	<u>902,299</u>		<u>137,099</u>	
DISBURSEMENTS						
Protection to Persons and Property	219,229	931,325	886,353		44,972	
Administration	72,484	332,678	310,032		22,646	
Total Disbursements	<u>291,713</u>	<u>1,264,003</u>	<u>1,196,385</u>		<u>67,618</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(165,703)</u>	<u>(498,803)</u>	<u>(294,086)</u>		<u>204,717</u>	
Other Adjustments to Cash (Uses)						
Transfers From Other Funds	165,703	165,703	385,000		219,297	
Total Other Adjustments to Cash (Uses)	<u>165,703</u>	<u>165,703</u>	<u>385,000</u>		<u>219,297</u>	
Net Change in Fund Balance		(333,100)	90,914		424,014	
Fund Balance - Beginning (Restated)			33,939		33,939	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (333,100)</u>	<u>\$ 124,853</u>		<u>\$ 457,953</u>	

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

SOLID WASTE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget	
	Original	Final		Positive (Negative)	Final Budget
RECEIPTS					
Intergovernmental	\$ 17,180	\$ 17,180	\$ 18,333	\$ 1,153	
Charges for Services	636,840	636,840	642,160	5,320	
Miscellaneous	10,000	16,299	20,299	4,000	
Interest	375	375	413	38	
Total Receipts	664,395	670,694	681,205	10,511	
DISBURSEMENTS					
General Government	494,970	539,083	532,178	6,905	
Debt Service	60,270	55,415	54,470	945	
Administration	148,155	117,267	114,277	2,990	
Total Disbursements	703,395	711,765	700,925	10,840	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(39,000)	(41,071)	(19,720)	21,351	
Net Change in Fund Balance	(39,000)	(41,071)	(19,720)	21,351	
Fund Balance - Beginning	39,000	41,071	41,072	1	
Fund Balance - Ending	\$ 0	\$ 0	\$ 21,352	\$ 21,352	

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

ALCOHOL BEVERAGE CONTROL FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 400	\$ 400	\$ 4,650	\$ 4,250
Miscellaneous	7,655	7,655	11,090	3,435
Interest			92	92
Total Receipts	<u>8,055</u>	<u>8,055</u>	<u>15,832</u>	<u>7,777</u>
DISBURSEMENTS				
Administration	24,604	24,604		24,604
Total Disbursements	<u>24,604</u>	<u>24,604</u>		<u>24,604</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(16,549)</u>	<u>(16,549)</u>	<u>15,832</u>	<u>32,381</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(15,000)	(15,000)
Total Other Adjustments to Cash (Uses)			<u>(15,000)</u>	<u>(15,000)</u>
Net Change in Fund Balance	(16,549)	(16,549)	832	17,381
Fund Balance - Beginning	<u>16,549</u>	<u>16,549</u>	<u>22,112</u>	<u>5,563</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,944</u>	<u>\$ 22,944</u>

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

COUNTY CLERK'S STORAGE FEE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 8,500	\$ 8,500	\$ 9,910	\$ 1,410
Interest	100	100	173	73
Total Receipts	<u>8,600</u>	<u>8,600</u>	<u>10,083</u>	<u>1,483</u>
DISBURSEMENTS				
General Government	17,500	17,500	720	16,780
Total Disbursements	<u>17,500</u>	<u>17,500</u>	<u>720</u>	<u>16,780</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(8,900)</u>	<u>(8,900)</u>	<u>9,363</u>	<u>18,263</u>
Net Change in Fund Balance	(8,900)	(8,900)	9,363	18,263
Fund Balance - Beginning	<u>8,900</u>	<u>8,900</u>	<u>9,127</u>	<u>227</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,490</u>	<u>\$ 18,490</u>

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

OPIOID SETTLEMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
	RECEIPTS			
Miscellaneous	\$ 22,359	\$ 22,359	\$ 107,384	\$ 85,025
Interest	500	500	683	183
Total Receipts	<u>22,859</u>	<u>22,859</u>	<u>108,067</u>	<u>85,208</u>
DISBURSEMENTS				
Administration	126,361	26,361		26,361
Total Disbursements	<u>126,361</u>	<u>26,361</u>		<u>26,361</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(103,502)</u>	<u>(3,502)</u>	<u>108,067</u>	<u>111,569</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(100,000)	(100,000)
Total Other Adjustments to Cash (Uses)			<u>(100,000)</u>	<u>(100,000)</u>
Net Change in Fund Balance	(103,502)	(3,502)	8,067	11,569
Fund Balance - Beginning	<u>103,502</u>	<u>103,502</u>	<u>103,513</u>	<u>11</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$ 111,580</u>	<u>\$ 11,580</u>

LEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

AMERICIAN RESCUE PLAN ACT FUND

	Budgeted Amounts	Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	
RECEIPTS			
Interest	\$ 50	\$ 835	\$ 862
Total Receipts	50	835	862
DISBURSEMENTS			
Protection to Persons and Property		42,977	29,135
Administration	5,501	5,501	5,181
Total Disbursements	5,501	48,478	34,316
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(5,451)	(47,643)	(33,454)
			14,189
Other Adjustments to Cash (Uses)			
Transfers To Other Funds	(165,703)	(165,703)	(150,757)
Total Other Adjustments to Cash (Uses)	(165,703)	(165,703)	(150,757)
			14,946
Net Change in Fund Balance	(171,154)	(213,346)	(184,211)
Fund Balance - Beginning	171,154	184,211	184,211
			29,135
Fund Balance - Ending	\$ 0	\$ (29,135)	\$ 0
			\$ 29,135

LEE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2024

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation Of The General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (149,243)
To adjust for Payroll Account	<u>8,375</u>
 Total Other Adjustments to Cash (Uses) - Regulatory Basis	 <u>\$ (140,868)</u>
 Ending Balance - Budgetary Basis	 \$ 555,471
To adjust for Payroll Account	<u>8,375</u>
 Total Ending Balance - Regulatory Basis	 <u>\$ 563,846</u>

**LEE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis**

For The Year Ended June 30, 2024

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LEE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 278,211	\$	\$	\$ 278,211
Construction in Progress	34,446			34,446
Land Improvements	362,083			362,083
Buildings	3,192,699			3,192,699
Vehicles and Equipment	4,034,019	490,954	210,933	4,314,040
Infrastructure	11,257,103	177,549		11,434,652
 Total Capital Assets	 \$ 19,158,561	 \$ 668,503	 \$ 210,933	 \$ 19,616,131

LEE COUNTY
NOTES TO OTHER INFORMATION - REGULATORY BASIS
SCHEDULE OF CAPITAL ASSETS

June 30, 2024

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture, and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards***

Independent Auditor's Report

The Honorable Steve Mays, Jr., Lee County Judge/Executive
Members of the Lee County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Lee County Fiscal Court for the fiscal year ended June 30, 2024, and the related notes to the financial statement which collectively comprise the Lee County Fiscal Court's financial statement and have issued our report thereon dated September 25, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Lee County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Lee County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lee County Fiscal Court's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2024-001 that we consider to be a material weakness.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lee County Fiscal Court's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2024-001.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on Lee County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

September 25, 2025

**LEE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2024

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**LEE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2024

INTERNAL CONTROL – MATERIAL WEAKNESS:

2024-001 The Lee County Fiscal Court Lacks Adequate Internal Controls Over Disbursements

We tested 74 disbursements and noted the following:

- The county failed to issue a purchase order for forty-two disbursements totaling \$920,720.
- One disbursement of \$848 had no supporting documentation for the payment.

The lack of internal controls over the purchase orders system allowed invoices to be paid that had not gone through the purchase order system. Weak controls over disbursements increase the risk of misstatements of financial activity. Payments could be paid to vendors that may not be a true liability of the fiscal court. Funds could be misused as intended or invoices could go unaccounted for, resulting in late fees being incurred.

Proper internal controls over disbursements are important to ensure purchase orders are created when both sufficient budget and monies are available and that only properly supported billings are presented to the fiscal court. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. Per the *County Budget Preparation and State Local Finance Officer Policy Manual*, issued by the Department for Local Government (DLG) “purchases shall not be made without approval by the judge/executive (or designee), and/or a department head... Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made.”

We recommend the fiscal court implement proper internal controls over disbursements and ensure they are operating effectively.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We will continue to improve and encourage all purchases to have P.O. 's.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

LEE COUNTY FISCAL COURT

For The Year Ended June 30, 2024

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE

COUNTY FISCAL COURT

For The Year Ended June 30, 2024

The Lee County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer